



USAID
FROM THE AMERICAN PEOPLE

KAZAKHSTAN

CASE STUDY

Loans Reach Small Businesses

USAID initiative paves way to micro-lending in Kazakhstan



80% of KLF's active clients are women.
Photo: ACDI/VOCA

Founded with a grant from USAID, the Kazakhstan Loan Fund has become the country's largest microfinance institution.

Challenge

After the collapse of the Soviet Union, the people of Kazakhstan were faced with making a fresh start in the new market economy. Many began trading in bazaars and as street vendors to support themselves. As a result, the country developed almost overnight a large informal sector with limited skills, resources, and access to capital. These informal-sector microentrepreneurs created a growing demand for microfinance support to develop and expand their businesses. However, to the country's banking sector, these entrepreneurs seemed too risky and not profitable.

Initiative

In 1996, USAID awarded ACDI/VOCA a grant to launch a microcredit program in Kazakhstan. ACDI/VOCA's initial work led to new regulations that enabled non-banking financial organizations to provide small working-capital loans and the establishment of the country's first non-bank financial institution, the Kazakhstan Community Loan Fund, later renamed the Kazakhstan Loan Fund (KLF). Until 2001, KLF was the sole microenterprise institution that could legally disburse loans in Kazakhstan. KLF literally paved the way for other NGOs to become legal entities and introduced to the formerly unknown concept of non-collateralized microlending.

Result

The USAID-funded program ended in 2002, but KLF continues to exist as a self-sustaining institution with six branch offices, a \$13 million portfolio with 18,000 active clients, and a less than 0.01% delinquency rate. KLF is now the largest microfinance institution (MFI) in the country, having disbursed \$91 million in loans since its inception.

KLF lends largely to informal-sector entrepreneurs who have never borrowed from a bank and specifically targets female and disadvantaged business owners. In fact, 80% of KLF's active clients are women. KLF's small loans, averaging \$800, provide much-needed credit to these microentrepreneurs and help them extend and diversify their operations, resulting in the direct support of over 3,500 jobs. In 2005, KLF began a new initiative to lend to farmers and other isolated populations. This effort is one of KLF's important services to Kazakhstan's rural-based population.

KLF is now a financially independent organization and has borrowed on commercial terms from both local and international sources. Most recently, KLF signed a \$2 million local currency loan with the European Bank for Reconstruction and Development (EBRD), becoming the first non-bank financial institution to receive an EBRD loan in the country.